

# Senate Budget & Fiscal Review

## *Senator Wesley Chesbro, Chair*



Subcommittee No. 3  
on  
Health, Human Services, Labor, and Veterans Affairs

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Senator Gilbert Cedillo  
Senator Tom McClintock  
Senator Bruce McPherson  
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Room 4203

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## 5175 Department of Child Support Services

The Department of Child Support Services (DCSS) administers the child support enforcement program operated by local child support agencies. The Department provides state direction to assure that child support funds are established, collected, and distributed to families, including securing child and spousal support, medical support, and determining paternity. The Department continues to have responsibility for addressing federal fiscal sanctions related to California's failure to develop adequate systems in the past. The department oversees local program and fiscal operations, administers the federal Title IV-D state plan for securing child support, and establishes performance standards for California's child support program. The budget anticipates collections of \$2.4 billion in the budget year. The department's overall budget expenditures are proposed to increase by \$43.4 million, or 3.5 percent.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2003-04	2004-05	\$ Change	% Change
General Funds	\$468,741	\$499,272	\$30,531	6.5
Federal Funds	478,084	491,479	13,395	2.8
Reimbursements	122	443	321	263.1
Child Support Collection	298,955	298,063	-892	-0.3
Recovery Fund				
<b>Total</b>	<b>\$1,245,902</b>	<b>\$1,289,257</b>	<b>\$43,355</b>	<b>3.5</b>

### DISCUSSION ITEMS:

#### 1. Child Support Collections

**Background:** In 1999, the Legislature enacted child support reform legislation to improve system accountability to children and their custodial and non-custodial parents, increase enforcement of child support and medical support orders, increase collections and assure statewide uniformity in the operation of child support programs. Since then, California has generally improved its performance on federal outcome standards, although performance continues to vary significantly among counties. California performed significantly above the national average on the establishment of paternity and the percent of cases with a child support order. California's performance is about the national average on collection arrears.

California's performance on cost-effectiveness is significantly below the national average. California collected \$2.31 per each dollar expended on collection efforts compared to the national average of \$4.13.

Although California has improved program performance and increased collections, its performance on current collections is below the national average. The state also continues to have a significant amount of uncollected child support payments. The state's current arrearage exceeds \$18 billion dollars. Approximately \$10 billion of the state's total arrears are owed to the state as compensation for CalWORKs and foster care services delivered to families with established support orders.

An analysis of the collectability of California's child support arrears conducted by the Urban Institute found that approximately \$4.8 billion of the state's arrears, \$2.3 billion of which is owed to the state, is collectable. The report makes a series of findings and recommendations that may improve the state's collections. Specifically, the study recommends that California reduce the number of orders it establishes by default, facilitate the adjustment of child support orders to reflect new income information, consider all relevant income data sources, and grant the DCSS authority to compromise arrearages owed to the state.

Last year, the Legislature adopted a series of reforms to facilitate the establishment of accurate support orders and improve collection of arrears owed to families and to the state. Specifically, AB 1752 (Chapter 225, Statutes of 2003):

- adjusted the presumed income level to full time minimum wage employment;
- made the existing low-income adjustment presumptive;
- established an Offers in Compromise program, modeled on existing FTB and IRS tax collection programs, to permit DCSS to work with noncustodial parents to arrive at negotiated settlements of child support arrears owed to the state;
- applied the Financial Institution Data Match process to all child support cases owing arrears; and
- simplified the process to liquidate securities held by obligors and intended as payment for child support arrears

The reforms were expected to generate an estimated \$39.2 million in General Fund revenues and \$5.5 million in increased federal incentive funds, which offset state costs for local assistance.

DCSS and local child support programs have been working to implement the recent reforms expeditiously. DCSS has implemented the presumed income level adjustment, the changes to the low-income adjustment and the simplified process to liquidate securities. The state will begin to apply the Financial Institution Data Match process to all child support cases owing arrears by July 2004.

DCSS and local agencies have been working together to develop and implement two offers in compromise programs. The Interim Compromise Of Arrears Program, which was implemented statewide in January 2004, permits DCSS to work with noncustodial parents who do not have a current child support order to arrive at negotiated settlements of arrears owed to the state. The Compromise Of Arrears Program (COAP), recently implemented as a pilot program in five counties, serves parents who both have a current child support order and owe arrears to the state. COAP works to increase collection of arrears owed to the state while maximizing current collections for families.

**Governor's Budget:** The budget estimates that California will collect \$2.4 billion in child support (\$364.5 million General Fund) in the budget year. \$71 million of the state's estimated collections stem from the child support collection enhancements enacted by the Legislature.

**Subcommittee request:** The Subcommittee has requested that the Department of Child Support Services briefly discuss program performance on the federal outcome measures, state efforts to

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improve performance and provide an update on the implementation status of the child support collections enhancements.

## **2. Local Child Support Program Compensation**

**Background:** Local child support agencies are responsible for the administration of child support programs at the county level and perform functions necessary to establish and collect child support. Program activities include establishing child support cases, establishing child support orders, collecting current and past-due child support, enforcing medical support orders, and implementing customer service initiatives.

California provides baseline compensation to counties, on a statewide basis, at a level comparable to 13.6% of the estimated level of collections adjusted to reflect county expenditures and available General Fund resources. The Department of Child Support Services allocates resources for administration of local child support programs in a lump sum and does not control county expenditures for program activities and for child support initiatives.

Baseline county funding for the implementation of local child support programs is established according to a statutory incentive formula based on child support collections. It is not based on an analysis of actual expenditures, estimated staff time to meet program requirements, or costs of the different child support activities. Individual county allocations are generally based on historic county expenditures and vary across the state.

Last year, the Legislature considered the effect on program performance of child support administrative funding reductions, and the relationship of existing allocations to program performance and actual costs. Analysis conducted by Committee staff and the LAO revealed substantial differences in per-case funding across counties. Program performance also varied across the state and did not appear to correlate to per-case funding, geographic region, or county economic condition.

The Legislature enacted AB 1752 (Chapter 225, Statutes of 2003) to consider the relationship between allocation methodologies and program performance, and to review alternative methodologies to allocate child support program funding. The law requires the DCSS to work with stakeholders, including counties, to evaluate the existing reimbursement methodology, to consider alternatives and to report to the Legislature by March 31, 2004.

Throughout the fall, DCSS examined the relationship between administrative funding and program performance. The department also convened a series of stakeholder meetings as required by the legislation. Analysis conducted by the department found that on a statewide basis, the level of child support administration funding explains approximately half of the state's distributed collections per case and performance on collections. There is a weaker correlation between funding and performance on other federal outcome measures including paternity establishment, collections on arrears and establishment of support orders. The research found that the correlation between allocation and performance varied across counties. Sixteen counties collected more per case and had a higher level of current collections than what their level of funding would have predicted. Fourteen counties were below their expected level of performance given their allocation, and 22 counties performed at a level consistent with their allocation.

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Overall, the data suggests that California can improve its performance without investing new resources in the child support program if under performing local agencies improve their performance. DCSS has completed a draft of the required report and scheduled the final allocation workgroup meeting.

**Governor's Budget:** The budget provides \$833.6 million (\$235.5 million General Fund) to fund local child support agency costs, including \$124 million for the maintenance and operation of the child support interim automation systems.

**Subcommittee request and questions:** The Subcommittee has requested that the Department of Child Support Services briefly discuss the relationship between administrative funding and program performance, provide an update on the status of the allocation workgroup and the required report, and discuss potential recommendations that may be included in the report.

**Budget issue:** Does the Subcommittee wish to take any action regarding local child support program compensation?

### **3. California Child Support Automation System and Alternative Federal Penalty.**

**Background:** Federal law requires state's to have a single statewide system for the collection of child support. Since 1997, California has been subject to substantial federal penalties due to the state's failure to establish the required system by the federal deadline. The penalty level is based on a percentage of program administration costs and the percentage rises over time. California has reached the maximum percentage level and is estimated to pay \$220 million in 2004-05.

California is in the process of developing the California Child Support Automated System (CCSAS) which when implemented on a statewide basis will obviate federal penalties. The CCSAS Project consists of two major systems: the Child Support Enforcement (CSE) and the State Disbursement Unit (SDU). California awarded the contract for completion of the CSE in July 2003. The negotiated contract price for development of the CSE amounts to \$801 million payable over eight and a half years. The negotiated contract contains the following key features:

- Establishes shared risk partnership with California and IBM for the development and implementation of a single statewide child support system.
- Reflects a performance-based compensation approach, which makes payment contingent on the achievement of specific outcomes including certification of the system by the federal government, increased worker effectiveness, improved customer service, system maintainability and implementation.
- Establishes two stages for development of the system working to meet federal standards for certification necessary by September of 2006. In the first stage the contractor will develop a statewide database that will link together the ARS and CASES consortia to provide statewide functionality. In the second stage the contractor will further develop the system to include case management and financial accounting functions to establish the full statewide system.

California and its business partners have begun development of the CSE and the project is progressing on schedule. FTB, DCSS, the business partners and local child support agency staff are working on system requirements and system design. State staff and local child support

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agencies are particularly focused on the state disbursement unit and the call center as these two components of CCSAS may have the greatest impact on customer service and client satisfaction. Since last year, the state has completed two county automation conversions and is operating on four different automation systems. During the budget year, the business partners will complete 14 county conversions reducing the number of automation systems the state is using to two.

The DCSS and FTB have issued an RFP for the SDU procurement. They expect to receive multiple proposals by the June 10 deadline. Prior to issuing the RFP, FTB and DCSS used the confidential discussion process to consider alternative business options for the SDU and design the RFP in a manner consistent with business practices. The state has issued an RFP addendum to accelerate the implementation schedule for the SDU. DCSS and FTB expect to award the SDU contract by December 2004 and may implement the system as soon as September 2005.

California is considering the feasibility of applying for federal certification of the new CCSAS system by September of 2005. Federal approval of early certification would reduce California's alternative federal penalty by 90 percent in 2005-06.

**Governor's Budget:** The budget provides \$163.3 million in total funding for the CCSAS Project, of which \$48.7 million General Fund is in FTB's budget. The budget proposes a \$1 million (\$347,000 General Fund) increase for support of the CCSAS Project. Of this amount, \$191,000 is for activities associated with the procurement and development of the SDU and \$828,000 is for oversight and management of the development of the CSE. The budget provides \$31.5 million (\$8.2 million General Fund) increase in local assistance funding for CCSAS costs, including funding for local staff to assist with the development of the SDU and the CSE, funding for the conversion of two county consortia, and support for post-conversion activities.

**Subcommittee request and questions:** The Subcommittee has requested that the Department of Child Support Services answer the following questions:

1. Please discuss the status of the CCSAS project, including development of the CSE and procurement of the SDU.
2. Is the CCSAS project progressing according to the implementation schedule?
3. How is the Administration coordinating the work of DCSS and FTB to reduce duplication of state activities and assure effective and efficient project management?
4. Is the Administration pursuing federal penalty relief, as development of the required automation system is under way?

**Budget issue:** Does the Subcommittee wish to approve the proposed funding for CCSAS?

#### **4. County-Share of Alternative Federal Penalty**

**Background:** Since 1997, California has been subject to substantial federal penalties due to the state's failure to establish a single statewide system for the collection of child support by the federal deadline. Current law provides for payment of the penalty through a reduction in federal funds for state and county administration of the child support program. Since 1997, California has waived the mechanism for paying the penalty through a reduction in county child support program funds and has appropriated General Fund dollars to pay for the penalty. Last year, the Legislature enacted a one-year 25 percent county share of the alternative federal penalty.

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**Governor's Budget:** The Governor proposes to establish a permanent 25 percent county share of the alternative federal penalty for General Fund revenues of \$55 million.

Counties have historically opposed the proposed county share of the alternative federal penalty. Counties argue that they were not responsible for the state's failure to develop the required automation system. They assert that they have no control over development of the new system. Lastly, counties argue that the county share of the penalty reduces available county discretionary funds to support fire, police and other county services.

**Budget issue:** Does the Subcommittee wish to approve the permanent 25 percent county share of the alternative federal penalty proposed by the Governor?

### **5. Eliminate County Share of Child Support Collections**

**Background:** Counties receive a portion of child support collections from the distribution of collections made on behalf of families receiving cash assistance or children participating in the Foster Care Program. The county share of child support collections is intended as a mechanism for public assistance cost recovery and is consistent with the county-share of funding for CalWORKs aid payments and Foster Care Payments. The funds are considered county general fund revenues. However, most counties dedicate the county share of child support collections to support human services programs.

**Governor's Budget:** The budget proposes to eliminate payment of the county share of child support collections for an increase in General Fund revenues of \$39.4 million. The budget indicates that the proposal is in lieu of a reduction to the Child Support program. The Governor's proposal will most likely reduce funding for human services programs, including child welfare services and child support services, and may increase demands for county realignment funds.

The County Welfare Directors Association of California opposes the Governor's proposal and argues that it will result in significant service reductions to county social service programs, including Child Welfare Services, Adult Protective Services, and CalWORKs. The proposal will reduce the total amount of County General Fund available to match state and federal funds for county operated social services programs. According to CWDA, every dollar a county loses will result in a much more significant decrease in program funding and activities. CWDA writes that a reduction of \$39.4 million translates into a \$394 million reduction in social services across California, resulting in increases to the risk of further injury to abused and neglected children; decreases in the number of parents working; and leaving vulnerable adults in abusive situations.

**Legislative Analyst's Office Analysis and Recommendation:** The LAO writes in their analysis that the child support program is largely driven by state and federal performance measures, as states receive federal incentive funds or penalties based on their performance. Because of the federal measurements, the LAO recommends that the Governor's proposal be modified into an incentive for counties to improve performance. The LAO recommends that counties that meet all

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of the established performance measures retain their share of the assistance collections. Adopting the LAO recommendation would reduce General Fund revenue by \$12.4 million in 2004-05.

**Subcommittee request and questions:** The Subcommittee has requested that the Administration answer the following questions:

1. Briefly describe the Governor's proposal to eliminate the county share of collections.
2. What policy rationale underlies the current rules for child support collection distribution?
3. How will the proposal impact available funding for human services programs including Child Support, Child Welfare Services and Adult Protective Services?
4. What is the relationship between the county-share of child support collections and local child support program performance?
5. What will be the effect on services and program outcomes of eliminating the county share of collections?

The Subcommittee has also requested that the LAO discuss their analysis and recommendation.

#### **6. Disregard Payment to Families Receiving CalWORKs**

**Background:** California provides families receiving public assistance the first \$50 dollars in child support payments collected on their behalf, in addition to their CalWORKs grant. The state also disregards up to \$50 in child support income when determining a family's eligibility for CalWORKs. Lastly, California adjusts custodial parents' CalWORKs time limits to reflect the amount of child support collected on behalf of the family.

California's child support pass-through and disregard policy for families receiving CalWORKs intends to provide an incentive for parents to participate in the child support program and to cooperate with program requirements. Specifically, it creates an incentive for non-custodial parents to pay for support as a portion of their payment is passed on to their children. The policy also intends to increase custodial parent cooperation with child support activities, including paternity establishment and gathering information to locate the non-custodial parent.

California's disregard policy is similar to the policy of most other large states. Nationally, twenty-three states pass-through to families at least \$25 in child support income. Twenty states disregard at least \$50 in child support income when determining a family's eligibility for cash assistance. Research has found that child support disregard policies encourage non-custodial parents to pay child support. There is no conclusive evidence that disregard policies increase custodial parent cooperation with the child support program or increase the involvement of non-custodial parents in children's lives.

**Governor's Budget:** The budget provides \$28.5 million General Fund to fund the pass-through of child support provided to families enrolled in CalWORKs. The pass-through costs are counted toward the federally required Temporary Aid for Needy Families maintenance of effort level.

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**Subcommittee request and questions:** The Subcommittee has requested that the Administration answer the following questions:

1. Briefly describe California's child support disregard for families receiving CalWORKs.
2. How do child support collections made on behalf of families enrolled in CalWORKs impact CalWORKs time limits?
3. What is the relationship between disregard policies and child support program outcomes?
4. What is the effect of the state's child support policies on families enrolled in CalWORKs?

**Budget issue:** Does the Subcommittee wish to maintain the proposed funding for the pass-through of \$50 in child support collections to families enrolled in CalWORKs?

## 4130 Health and Human Services Agency Data Center

### 5180 Department of Social Services - Automation Issues

The Health and Human Services Agency Data Center (HHSDC) seeks to increase efficiency and effectiveness in the use of electronic data processing resources by providing services to departments and agencies within the Health and Human Services Agency in a consolidated manner. HHSDC is supported by reimbursements from departments that contract with the data center for services. HHSDC has two general components: operations and systems management. The operations component provides computer services, telecommunications support, information systems, and training support to departments in the Health and Human Services Agency. The systems management component manages five major projects for the Department of Social Services. The HHSDC budget decreases by \$2.3 million from the current year expenditure level.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2003-04	2004-05	\$ Change	% Change
HHSDC Revolving Fund	\$313,674	\$311,362	-\$2,312	-0.7
(Operations)	118,348	119,418	1,070	0.9
(Systems Management Services)	195,326	191,944	-3,382	-1.7
Total	\$313,674	\$311,412	-\$2,262	-0.7

#### VOTE ONLY ITEMS:

##### 1. Electronic Benefit Transfer

**Background:** Electronic Benefits Transfer (EBT) is the automation of welfare benefit authorization, delivery, redemption and reconciliation. The system will replace paper food stamp coupons and benefit checks with transfers and use of benefits through point-of-sale devices and automated teller machines. Federal welfare reform enacted in 1996 requires states to implement EBT for food stamps by October 2002. State law requires DSS and the Data Center to establish a single statewide EBT system that counties may use for other benefits.

California received a waiver from the October 1, 2002 federally mandated deadline for implementing EBT. According to the current implementation schedule California will implement EBT by September 2004. Forty-six counties, serving 98 percent of the state's caseload have implemented EBT. The remaining counties will implement EBT in the budget year. California's failure to adhere to the implementation schedule may result in a \$400 million federal penalty.

**Governor's Budget:** The budget proposes to reduce funding for the EBT Project by \$3.7 million in the current year and \$2.3 million in the budget year due to revised caseload projections. The budget also proposes to establish .5 positions in the current year and 7.5 positions in the budget year at a cost of \$613,000. The new positions are associated with maintenance and operations activities and migration of San Diego and San Bernadino counties to the EBT system.

**Budget issue:** Does the Subcommittee wish to approve the proposed new positions for the EBT project and maintain the proposed project funding reduction?

## **2. Statewide Fingerprint Imaging System**

**Background:** The Statewide Fingerprint Imaging System (SFIS) works to identify duplicate applicants for CalWORKS and Food Stamps benefits. It seeks to protect program integrity by deterring or detecting duplicate-aid fraud. Specifically, SFIS matches fingerprint images of program applicants against a database containing fingerprint images of existing program participants. California has spent an estimated \$64.4 million on SFIS and ongoing program costs are estimated to be \$8.5 million per year.

**Governor's Budget:** The budget proposes to increase HHSDC's expenditure authority for the SFIS project by \$711,000 to support quality assurance and project oversight activities, user training, and application maintenance. Specifically, the budget provides \$536,000 for consultants to support the project and \$175,000 for future system changes. Overall costs of the SFIS program will decrease by \$2.3 million in the budget year due to lower network costs and revised estimates of the number of CalWORKs and Food Stamps applicants.

**Legislative Analyst's Office Analysis and Recommendation:** According to the LAO, the budget proposes to hire consultants to perform activities that are similar to activities performed by state staff on other IT projects, generally at a lower cost than consultants. LAO recommends that the Legislature reduce the proposal by \$536,000 and direct the administration to resubmit a request after examining the use of state staff.

**Budget issue:** Does the Subcommittee wish to maintain the proposed increase in SFIS project funding or reduce the proposed increase by \$536,000 as recommended by the LAO?

## **3. Unemployment Insurance Modernization Project**

**Background:** Last year, the Legislature provided an \$85 million augmentation in Reed Act funds to the Employment Development Department (EDD) to fund automation improvements that will increase EDD's capacity to detect and control fraud. The funding will support the redesign of the unemployment insurance (UI) continued claims system, improve the service levels at the UI call centers, and prevent and detect fraud in the UI system. Specifically, the Continued Claims Redesign project will provide new ways for clients to certify for benefits and improve the Department's ability to detect and prevent fraud. The Call Center Network Platform & Application Upgrade Project will improve the UI call center platform security and redesign the interactive voice response system. The Health and Human Services Data Center is the state entity responsible for management of the UI Modernization project and for procurement activities.

**Finance Letter:** A recent Department of Finance (DOF) letter requests that the Legislature increase the Data Center's expenditure authority by \$17.8 million and establish 5 new positions to support activities associated with the Unemployment Insurance Modernization Project. The request will maintain funding and positions granted to HHSDC in the current year. According to DOF, federal funds will cover one-time development and implementation costs for the projects. Following implementation, ongoing costs will be funded through EDD baseline reductions.

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**Budget issue:** Does the Subcommittee wish to approve the Finance Letter which requests a \$17.8 million increase to the Data Center's expenditure authority and establishment of 5 positions to support activities associated with the UI Modernization Project?

#### **4. Statewide Automated Welfare System (SAWS)**

**Background:** SAWS is a multi-program automated system that provides support for eligibility determination, benefit computation, benefit delivery, case management and management information for CalWORKs, Food Stamps, Medi-Cal, Foster Care, Refugee Assistance and the County Medical Services program. The system is delivered through a multiple county consortium including four consortia: Interim SAWS, 35 counties; Los Angeles Eligibility Automated Determination, Evaluation and Reporting System, 1 county; Welfare Client Data System, 18 counties; and Consortium IV, 4 counties.

The Data Center is responsible for the state-level project management of the Statewide Automated Welfare System Consortium and provides oversight for the four consortia, including review of project documents and budgets, deliverables and risk management.

**Governor's Budget:** The budget provides a \$36 million augmentation to the Consortium IV project. The increased funding will support C-IV implementation in two counties, system and data conversion to C-IV, and maintenance and operations activities similar to those required by other SAWS applications.

**Budget issue:** Does the Subcommittee wish to approve the proposed augmentation?

### **DISCUSSION ITEMS:**

#### **1. HHSDC Costs and Rates**

**Background:** The Health and Human Services Agency Data Center (HHSDC) provides information technology (IT) services, including computer and communications network services, to the departments within the Health and Human Services Agency. The Data Center also provides services to other state entities and various local jurisdictions. The cost of the center's operations is fully reimbursed by its clients. Client departments reimburse HHSDC for IT services based on the level and type of services they receive and the Data Center's rates. HHSDC's rates are based on the costs and projected utilization. Rates are set by the Data Center and are not subject to review or approval from the Department of Finance.

The Supplemental Report of the 2002 Budget Act directed the HHSDC to perform a study to identify operations that should be improved and would result in reduced rates and costs. The report was requested to assist the Data Center and the Legislature in identifying efficiencies and reducing costs. The 2002 Budget Act did not specify a due date for the required report. Last year, the HHSDC testified that it would not complete the report until July 2003. The Data Center still has not submitted the required report to the Legislature.

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HHSDC reports that it reduced the rates it charges departments by approximately 8 percent in July 2003. The rate reductions were made possible by increases in utilization of Data Center services by client departments, not administrative efficiencies or reductions. It is not clear whether the rate reductions actually led to budgetary savings for client departments.

**Subcommittee request and questions:** The Subcommittee has requested that the Data Center report on actions it has taken to reduce costs and generate savings to client departments. The Subcommittee has also requested that the Legislative Analyst's Office briefly discuss the rate setting mechanism for the Data Center and how it compares to other departments that are funded through reimbursements, including the Department of General Services.

**Budget issue:** Does the Subcommittee wish to modify the HHSDC's rate setting mechanism?

## **2. Data Center Consolidation**

**Background:** AB 1752, (Chapter 225 Statutes of 2003), required the Department of Finance to convene a working group to develop a data center consolidation plan by December 1, 2003, and to develop a data server consolidation plan to be implemented by July 1, 2004. The plan must identify consolidated activities that result in savings of no less than \$3.5 million General Fund in the 2004-05 fiscal year, and identify data center activities that will produce savings in future fiscal years.

The Department of Finance notified the Legislature in the fall of 2003 that it would delay submitting a data center consolidation plan to allow the new Administration to become familiar with the issues. According to the DOF, a data center consolidation report is under review. Notwithstanding the statutory requirements relative to consolidation, the Administration reports that it will be considering the data center consolidation in the context of its broader efforts to reorganize state government and will notify the Legislature once its review is complete.

The proposed Data Center consolidation provides California an opportunity to streamline administrative activities, deliver data services more efficiently, and generate General Fund savings without reducing services. The consolidation may also provide an opportunity to consider existing and projected data center rates, the potential for rate reductions, and any additional efficiencies that may be realized in the delivery of data center services.

**Subcommittee request:** The Subcommittee has requested that the Administration provide an update on the status of the data center consolidation efforts, the level of savings to be realized through consolidation, and the timeline to complete the consolidation.

**Budget issue:** Does the Subcommittee wish to take any action regarding consolidation of the state's data centers or data servers?

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### **3. IHSS - Case Management Information and Payrolling System (CMIPS)**

**Background:** The In Home Supportive Services (IHSS) program provides supportive services to eligible aged, blind and disabled persons that allow them to remain safely in their own homes as an alternative to out-of-home care. Program services are generally delivered by independent providers who are hired, trained and supervised by IHSS consumers. Since 1979, the state has developed and maintained a case management information and payrolling system to facilitate and standardize payments to providers of IHSS services.

Over the years, CMIPS has been modified to incorporate some program changes, including implementation of the Personal Care Services Program, which made IHSS services an entitlement for eligible Medi-Cal beneficiaries, and to support some case management functions. However, CMIPS has not kept pace with recent program changes and lacks important functionalities. For example, the system has limited case management capabilities, does not support employee registries, cannot make most payroll deductions, requires a cumbersome process for updating wage rates and is not capable of tracking benefits.

In 1998, DSS was directed by state control agencies to conduct a competitive procurement for a new contract for CMIPS maintenance. Since September 2000, HHSDC has been conducting the analysis and planning for the IHSS/CMIPS competitive procurement. The Legislature has twice authorized extension of funding and positions for CMIPS II. However, the project remains in the planning stage and the Administration is currently re-evaluating the procurement strategy.

**Governor's Budget:** The budget proposes to extend funding for CMIPS procurement activities for one year to support re-evaluation of the procurement strategy (\$1.7 million General Fund).

In January, the Administration proposed to migrate the CMIPS system to the California Medicaid Management Information System to benefit from enhanced federal financial participation in development costs. The state submitted a request to the federal government to transfer the maintenance and enhancement of CMIPS to the Department of Health Services' Fiscal Intermediary contract in January 2004.

**Subcommittee request and questions:** The Subcommittee has requested that the Administration answer the following questions:

1. What is your current plan for development of CMIPS II and your procurement strategy?
2. What is the current timeline to develop and implement CMIPS II?
3. What is the status of obtaining federal approval for the new procurement strategy?
4. Briefly discuss how the new strategy might impact system design and functionality.

**Budget issue:** Does the Subcommittee wish to approve the proposed extension of funding for CMIPS contract procurement activities for one-year? Does the Subcommittee wish to adopt any specifications or requirements relative to development of CMIPS II?

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## 4170 Department of Aging

### VOTE ONLY ITEMS

#### **1. Long-Term Care Ombudsman Program**

**Background:** Established in 1972 as a demonstration program, the Office of State Long-Term Care Ombudsman provides a range of services designed to protect persons receiving care from nursing homes and residential care facilities for the elderly. The Ombudsman works to monitor and improve quality of care and quality of life in California's long term care facilities. The Office, which is operated by staff and volunteers, is responsible for the investigation and resolution of complaints made by or on behalf of residents of skilled nursing facilities, distinct part skilled nursing facilities and residential care facilities for the elderly. Additionally, Office staff visit residents, provide consultations to facilities, train facility staff, and conduct community education sessions. The California's Ombudsman serves residents of California's 7,400 SNF, Distinct Part SNF and RCFE facilities, which have a combined total of 277,000 beds.

**Finance Letter:** A recent Department of Finance letter requests that the Legislature reduce funding for the Long-Term Care Ombudsman program by \$2.9 million because the federal Center for Medicare and Medicaid decided that the program is not eligible for federal Medicaid funding. Total program funding in the budget year would be reduced to \$9.3 million.

**Budget issue:** Does the Subcommittee wish to adopt the Finance letter?

#### **2. Multipurpose Senior Services Program**

**Background:** The Multipurpose Senior Services Program (MSSP) provides case management services to frail elderly or functionally impaired adults that are eligible for SSI/SSP and for the Medi-Cal program. MSSP operates on a fixed funding basis and is not an entitlement. There are 41 MSSP sites across the state serving approximately 13,000 enrollees. MSSP operates at an approximate cost of \$4,000 per client. The program is funded with state and federal funds, at an approximate ratio of 1 to 1.

**Finance Letter:** A Department of Finance letter requests that the Legislature decrease General Fund support for MSSP administration by \$53,250 and adopt a corresponding reimbursement increase to reflect increased federal funding for skilled medical personnel costs.

**Budget issue:** Does the Subcommittee wish to adopt the Finance letter?

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## 4200 Department of Alcohol and Drug Programs

### VOTE ONLY ITEMS

#### **1. Substance Abuse Prevention and Treatment Block Grant**

**Background:** California applies for, and receives on an annual basis, federal Substance Abuse Prevention and Treatment Block Grant funds from the Substance Abuse and Mental Health Services Administration to support substance abuse prevention and treatment services. SAPT funds must be used to plan, carry out, and evaluate activities to prevent and treat substance abuse. In California, SAPT funding supports all treatment modalities and prevention activities.

**Finance Letter:** A recent Department of Finance letter requests that the Legislature increase local assistance funding for alcohol and drug programs by \$277,000 to reflect an increase in the federal Substance Abuse Prevention and Treatment Block Grant. The total increase in federal funding was \$1.1 million, however, the Administration proposes to allocate \$823,000 to support Performance Partnership Grant activities and to offset General Fund costs for state operations.

**Budget issue:** Does the Subcommittee wish to adopt the \$277,000 local assistance funding increase requested by the Department of Finance?

#### **2. Substance Abuse and Crime Prevention Act**

**Background:** In November 2000, California voters approved Proposition 36, the Substance Abuse and Crime Prevention Act (SACPA), to provide substance abuse treatment instead of incarceration to non-violent drug offenders. SACPA changed state sentencing laws, effective July 1, 2001, to require adult offenders convicted of nonviolent drug possession to be sentenced to probation and drug treatment instead of prison, jail or probation without treatment. SACPA requires that the state provide \$120 million annually through 2005-06, to be deposited to a new Substance Abuse Treatment Trust Fund, and distributed to counties to pay for the costs of treatment and related programs. Funds may be used for substance abuse assessment, treatment, vocational training, family counseling, literacy training, probation supervision and court monitoring of offenders.

**Finance Letter:** A Department of Finance letter requests that the Legislature shift \$428,000 in SACPA funding from local assistance to state operations and establish 6.5 new positions to support audit activities. Previous audits have identified some county non-compliance and have identified \$6.5 million in reported and proposed audit disallowances.

**Budget issue:** Does the Subcommittee wish to adopt the SACPA funding shift requested by the Department of Finance?

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### **3. Office of Problem Gambling**

**Background:** AB 673, (Chapter 210 Statutes of 2003), seeks to reduce the incidence of problem gambling in California. It requires the Department of Alcohol and Drug Programs (DADP) to establish the Office of Problem Gambling to develop a comprehensive gambling prevention program for problem gamblers. The program must include: public awareness and prevention efforts; a toll-free information and referral telephone service; empirically driven research programs; and training of health care professionals, educators, law enforcement, non profit organizations and gambling industry personnel in the identification of problem gambling behavior and knowledge of referral services and treatment programs.

The Budget Act of 2003 provided \$3 million from the Indian Gaming Special Distribution Fund to support implementation of the program. The Governor's Budget for 2004-05 proposed to eliminate funding for the Office of Problem Gambling and to repeal the requirement that DADP establish the Office of Problem Gambling.

**Finance letter:** A Department of Finance letter requests that the Legislature provide a \$3 million augmentation from the Indian Gaming Special Distribution and 3 new positions to support the establishment of the Office of Problem Gambling.

According to DADP, 30 percent of persons who need alcohol and other drug treatment are compulsive gamblers and possibly 50 percent of compulsive gamblers abuse alcohol/drugs. Governmental agencies in at least 16 other states are working to address problem gambling.

**Budget issue:** Does the Subcommittee wish to adopt the augmentation and positions requested by the Department of Finance and reject the proposed legislation to repeal AB 673?

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## 5180 Department of Social Services

### VOTE ONLY ITEMS

#### 1. Community Care Licensing Caseload

**Background:** The Department of Social Services Community Care Licensing Division (CCLD) establishes standards for, and oversees eighteen types of community facilities that provide care and supervision to Californians. These facilities include adoption agencies, foster care homes and agencies, childcare homes and centers, and residential care facilities for disabled and elderly adults. The state monitors approximately 85,000 homes and facilities, with a capacity to serve more than 1.4 million individuals.

CCLD offers provider orientations; applicant screenings; and pre-licensing facility visits to applicants and potential applicants for community care licenses. CCLD visits licensed facilities regularly, investigates complaints, and exercises a variety of enforcement actions, including consultation, fines, penalties, and license suspension or revocation.

Historically, foster family agencies (FFA) were responsible for investigating complaints filed against certified family homes. SB 933 (Chapter 311 Statutes of 1998) shifted responsibility for investigating complaints filed against certified family homes from FFAs to CCLD to avoid potential conflicts of interest for the agencies.

**Governor's Budget:** The budget provides a \$1.3 million augmentation (\$1.2 million General Fund) and establishes 18.5 positions due to an increase in the number of certified family homes and the number of complaints filed against the homes.

**Budget issue:** Does the Subcommittee wish to adopt the proposed increase and positions?

#### 2. Disability Determinations

**Background:** The Department of Social Services is the state entity responsible for determining whether persons applying for various health and human services programs are eligible for services on the basis of their disability. Specifically, DSS determines whether applicants for SSA/SSI, SSI/SSP, Medi-Cal, and other programs, as well as program enrollees meet the federal definition of disability. DSS conducts more than 450,000 disability determinations per year.

**Governor's Budget:** The budget provides a \$7.8 million augmentation (\$1.5 million General Fund) and establishes 60.6 positions to support increased disability determination workload. Specifically, the budget proposes 45.6 federally funded positions to process increased SSA/SSI claims and 15 positions to process increased Medi-Cal disability workload.

**Budget issue:** Does the Subcommittee wish to adopt the proposed increase and positions?

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### **3. Child Welfare Services Program Improvement Plan**

**Background:** Federal law required California to negotiate with the federal government a Program Improvement Plan (PIP) to address system deficiencies identified in the Child and Family Services Review and to improve the state's outcomes. The PIP outlines steps California will take to improve its outcomes; includes timeframes for achieving improvement; and commits to dozens of specific program performance improvements and thousands of specific action steps. The state is required to submit to the federal government quarterly PIP reports that document the state's progress in achieving the required outcomes.

**Governor's Budget:** The budget provides \$8.3 million (\$3.5 million General Fund) in the current year and \$10.6 million (\$749,000 General Fund) in the budget year to support state and county activities associated with the state's Program Improvement plan. The budget provides \$572,000 (\$286,000 General Fund) and establishes 6 new positions to complete workload associated with the PIP, including data analysis, preparing quarterly PIP reports and conducting the PIP survey.

**Budget issue:** Does the Subcommittee wish to adopt the proposed increase in funding and positions to support PIP activities at the state level?

### **4. Electronic Benefit Transfer**

**Background:** Electronic Benefits Transfer (EBT) is the automation of welfare benefit authorization, delivery, redemption and reconciliation. The system will replace paper food stamp coupons and benefit checks with transfers and use of benefits through point-of-sale devices and automated teller machines. Federal welfare reform enacted in 1996 requires states to implement EBT for food stamps by October 2002. State law requires DSS and the Data Center to establish a single statewide EBT system that counties may use for other benefits. California received a waiver from the October 2002 federally mandated deadline. According to the current implementation schedule, California will implement EBT by September 2004.

**Governor's Budget:** The budget extends, for one-year, two limited-term positions to provide program support and oversight of the EBT project at a cost of \$161,000 (\$58,000 General Fund).

**Budget issue:** Does the Subcommittee wish to adopt the proposed extension of two limited-term positions at a cost of \$161,000 (\$58,000 General Fund)?

### **5. IHSS - Case Management Information and Payrolling System**

**Background:** The In Home Supportive Services program provides supportive services to eligible aged, blind and disabled persons that allow them to remain safely in their own homes. Program services are generally delivered by independent providers who are hired, trained and supervised by the consumers. Since 1979, the state has developed and maintained a case management information and payrolling system to facilitate payments to providers of IHSS services.

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Over the years, CMIPS has been modified to incorporate some program changes. However, CMIPS has not kept pace with recent reforms and lacks important functionalities. In 1998, DSS was directed by state control agencies to conduct a competitive procurement for a new CMIPS contract. Since September 2000, DSS and HHSDC have been conducting analysis and planning for CMIPS II. The Legislature has twice authorized extension of funding and positions for CMIPS II. The project remains in the planning stage and the Administration is currently re-evaluating the procurement strategy.

**Governor's Budget:** The budget proposes to extend funding for CMIPS II procurement activities for one year to support re-evaluation of the procurement strategy and proposes new funding for contracted Independent Verification and Validation services (\$1.7 million General Fund).

**Budget issue:** Does the Subcommittee wish to approve the proposed extension of funding for CMIPS contract procurement activities and the funding increase to support IV&V activities?

#### **6. State Council on Developmental Disabilities**

**Background:** The Department of Social Services (DSS) provides administrative support to the State Council on Developmental Disabilities (State Council). Specifically, the state assists the Council with routine accounting, personnel and business services functions.

**Governor's Budget:** The budget provides \$651,000 in increased reimbursements and establishes 6.8 positions for DSS to provide administrative support to the State Council.

**Budget issue:** Does the Subcommittee wish to adopt the proposed increase and positions?

#### **7. Proposed Workload Relief Associated with Reductions in State Operations**

**Background:** Control Section 4.10 of the Budget Act of 2003 authorizes the administration to reduce state operations appropriations, abolish positions, and reallocate funds among items of appropriation to achieve budget savings in the current year. Specifically, Control Section 4.10 requires that the Director of Finance abolish as many as 16,000 positions throughout state government, reduce individual state operations appropriations by up to 15 percent and achieve \$1 billion in savings.

The Department of Social Services contributed \$5.9 million in General Fund savings to the Control Section 4.10 reduction. It eliminated a total of 330.5 positions across department divisions. The Governor's Budget assumes that the reductions to state operations will be ongoing and proposes the following statutory changes to permanently reduce the department's workload:

##### **Issue A - Eliminate the Child Care Advocate Program**

**Background:** Current law requires that the Department of Social Services establish a child care ombudsman program. The program provides information to the general public on child care licensing standards and regulations, serves as a liaison to local entities and child care providers, disseminates information on the state's licensing role, and investigates complaints.

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**Governor's Budget:** The Governor's proposed legislation to implement the Budget Act makes it optional for the DSS to establish a Child Care Ombudsman program and renames the program as the Child Care Advocate Program.

**Budget issue:** Does the Subcommittee wish to approve the proposed statutory changes?

#### **Issue B - Processing of Applications for Trustline Certification**

**Background:** Trustline is a registry of child care providers who have received a criminal background clearance in California. It considers fingerprint records from the California Department of Justice's California Criminal History System, the Child Abuse Central Index of California, and the FBI Criminal History System. The program is jointly administered by the Department of Social Services and the Child Care Resource and Referral Network. Specifically, the DSS processes applications and grants criminal record clearances, and the Network maintains the Trustline registry.

**Governor's Budget:** The Governor's proposed legislation to implement the Budget Act shifts the responsibility of receiving Trustline applications and submitting provider fingerprints to the Department of Justice from the DSS to the Child Care Resource and Referral Network.

**Budget issue:** Does the Subcommittee wish to approve the proposed statutory changes?

#### **Issue C - Expand Activities Supported by the Technical Assistance Fund**

**Background:** Established in 1995, the Technical Assistance Fund supports the creation and maintenance of licensing staff to provide technical assistance to residential care facilities for the elderly, foster care providers, child care providers and other community care facilities licensed by the Department of Social Services. Licensing fee revenue in excess of \$6 million is deposited in the Technical Assistance Fund and is subject to legislative appropriation.

**Governor's Budget:** The Governor's proposed legislation would broaden the activities supported by the Fund to include administrative and other licensing activities.

**Budget issue:** Does the Subcommittee wish to approve the proposed statutory changes?

#### **Issue D - Certification and Monitoring of Out-of-State Group Homes**

**Background:** High profile incidents of abuse and maltreatment of foster youth and the debate ensuing from these incidents triggered Senate Bill 933, a comprehensive legislative reform of the foster care system. SB 933 (Chapter 311 Statutes of 1998) instituted a series of reforms designed to improve the quality of care received by foster children in group homes and to increase foster child safety. Specifically, the bill established rigorous licensing requirements for foster care providers and prohibited the placement of foster youth with unlicensed out-of-state providers. It required that DSS perform initial and continuing inspections of out-of-state group homes, as well as investigate any threat to the health and safety of California children placed in these homes.

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Since the enactment of SB 933, the placement of California foster children in out-of-state group homes has declined substantially. According to DSS, a total of three hundred foster children are placed in twelve licensed out-of-state group homes. The children placed in these out-of-state group homes tend to be served by probation departments, not county social services agencies.

**Governor's Budget:** The Governor's proposed legislation would eliminate the requirement that the Department of Social Services certify and monitor out-of-state group homes.

**Budget issue:** Does the Subcommittee wish to approve the proposed statutory changes?

#### **Issue E - Eliminate Claimants Rights for Rehearings**

**Background:** Counties, as well as applicants for and recipients of public social services, have a statutory right to request a rehearing when dissatisfied with a decision from an administrative law judge (ALJ) regarding eligibility for or amount of aid or services. The hearings provide the last opportunity within the administrative process to challenge a county decision or ALJ ruling.

Absent hearings, individuals and counties can seek redress through the courts. However, court involvement tends to be more costly and consume more time than administrative processes.

**Governor's Budget:** The Governor's proposed legislation would eliminate the statutory authority for claimants and counties to request hearings from the Department of Social Services.

**Budget issue:** Does the Subcommittee wish to approve the proposed statutory changes?

#### **Issue F - CalWORKs Mental Health Pilot Program**

**Background:** AB 444 (Arner), Chapter 222 Statutes of 2001, authorized counties to participate in a pilot program to cover the costs of CalWORKs mental health employment assistance services as part of a Medi-Cal mental health managed care program. The bill required the Department of Social Services to develop a plan for operation of the pilot program and to report on program implementation to the Legislature during budget hearings in 2005.

**Governor's Budget:** The Governor's proposed legislation eliminates the requirement that DSS develop a plan for operation of the pilot program and report to the Legislature by 2005.

**Budget issue:** Does the Subcommittee wish to approve the proposed statutory changes?

#### **Issue G - Group Home Rates**

**Background:** Current law establishes a biennial rate setting process for establishing or revising group home rates and foster family agency rates to reflect changes in costs staffing and level of services provided by the home. Current law also provides for non-provisional program audits of group home programs and requires DSS to reimburse providers with less than \$300,000 in federal funding for the costs, up to \$2,500, of completing required audits.

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**Governor's Budget:** The Governor's proposed legislation makes the following changes to state law: (1) imposes a 3-year suspension of the biennial rate-setting requirements applicable to group home programs and foster family agencies; (2) authorizes a 3-year suspension of non-provisional program audits; and (3) removes the requirement for the department to reimburse certain providers for audit costs.

**Budget issue:** Does the Subcommittee wish to approve the proposed statutory changes?

## **8. CalWORKs Research and Evaluation**

**Background:** Assembly Bill 1542 (Chapter 270, Statutes of 1997) authorized the Department of Social Services to develop a research design to evaluate CalWORKs and county demonstration projects such as school attendance, monthly change reporting, etc. State law requires that an independent statewide evaluation be conducted. Outcomes derived from the evaluations are provided through individual reports that consider the CalWORKs process, the program's impacts, and the costs and benefits of the CalWORKs Program.

**Governor's Budget:** The budget provides \$6.6 million to fund CalWORKs research and evaluation projects.

**Budget issue:** Does the Subcommittee wish to maintain the proposed level of funding for CalWORKs research?

## **9. Food Stamps Program**

### **Issue A- Elimination of Transitional Food Stamps Benefits**

**Background:** The federal government recently granted states an opportunity to provide five months of federally funded transitional food stamp benefits for people leaving cash assistance to help families make a successful transition from welfare to work. The Budget Act of 2003 provided funding to implement this federal option in California. Under current law, California was to begin to provide transitional food stamp benefits to families leaving CalWORKs in January of 2004. Counties have begun to implement the program across the state.

**Governor's Budget:** The Governor proposes to eliminate transitional food stamps benefits for General Fund savings of \$1.1 million in the current year and \$3.1 million in the budget year.

Elimination of the transitional food stamps program will result in a \$165.5 million loss in federal food stamps benefits for 66,000 low-income California households. According to the LAO, the proposed elimination of transitional benefits would result in a \$3.7 million General Fund revenue loss for California. The Analyst recommends that the Legislature reject the Governor's proposal, restore program funding, and recognize \$3.7 million in General Fund revenues.

**Budget issue:** Does the Subcommittee wish to adopt the Governor's proposal to eliminate transitional food stamps benefits?

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**Issue B - Repeal of Recent Food Stamps Program Reforms**

**Background:** According to the US Department of Agriculture, only half of all eligible Californians access food stamps benefits. Working families, who comprise 71 percent of eligible households, are especially unlikely to participate in the program. Assembly Bill 231 (Chapter 743, Statutes of 2003), seeks to increase participation in the food stamps program among eligible families by simplifying the application process and modifying program eligibility criteria. Specifically, AB 231, establishes criteria for county exemptions from required face-to-face interviews and provides that car ownership and value shall not affect food stamps eligibility. The new law is expected to increase participation in the Food Stamps program by 15,000 households. Counties have begun to implement the eligibility reforms across the state.

**Governor's Budget:** The Governor proposes to repeal legislation, which sought to increase participation in the food stamps program to realize General Fund savings of \$186,000 in the current year and \$444,000 in the budget year.

Repeal of recent food stamps program reforms will result in a \$37 million loss in federal food stamps benefits for 15,000 low-income California households. The LAO concluded in their analysis that the proposed repeal of recent food stamps reforms would result in a \$835,000 General Fund revenue loss. The Analyst recommends that the Legislature reject the Governor's proposal, restore Food Stamps and CFAP funding, and recognize \$835,000 in revenues.

**Budget issue:** Does the Subcommittee wish to adopt the Governor's proposal to repeal recent food stamps reforms?

**10. California Veterans Cash Benefit Program**

**Background:** The California Veterans Cash Benefit Program, established by Assembly Bill 1978 (Chapter 143, Statutes of 2000), provides cash assistance to Filipino veterans of World War II who were receiving state supplementary payment benefits on December of 1999 and who have returned to the Republic of the Philippines. The veterans receive a payment equivalent to California's state supplemental payment (\$226 per month). The veterans also receive a federal cash benefit, which currently amounts to \$423 per month. The California Veterans Cash Benefit program serves approximately 1,700 veterans on an annual basis.

**Governor's Budget:** The Governor proposes to eliminate the California Veterans Cash Benefit Program for General Fund savings of \$1.2 million in the current year and \$5.5 million in 2004-05. Veterans will continue receiving existing federal benefits.

**Budget issue:** Does the Subcommittee wish to approve the proposed program elimination?

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